

2008 California Volunteer Manual

General Information

California Pension and Annuity Adjustments

California and federal laws generally treat pension and annuity income the same. However, if any of the following apply, your client may have an adjustment on the California return:

- They receive a federal Form RRB 1099-R for tier 2 railroad retirement benefits and you included all or part of these benefits as taxable income on the federal return.
- They received a retirement annuity between July 1, 1986 and January 1, 1987 and elected to use the three-year rule for California purposes. The federal taxable amount is less than the California taxable amount.
- They received federally nontaxable foreign social security income.

Pension adjustments are made on Schedule CA (540), line 16, Columns B or C, as appropriate.

For more information, see the Form 540 section.

STANDARD AND ITEMIZED

Your clients decide whether to itemize their deductions or to take the state standard deduction. Use the method that gives your clients the larger deduction. Your clients may itemize for the state, the federal, or both.

Clients over age 65, who take the federal standard deduction, may receive a greater state deduction if they itemize.

If your clients are married/RDP and filing separate returns, the client and their spouse must either both itemize their deductions or both take the standard deduction.



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The Standard Deduction

If your client takes the standard deduction on their federal return, in many cases the state standard deduction will be greater than the allowable itemized deductions.

Any dependent, filing their individual return, must use the "California Standard Deduction Worksheet for Dependents" on this page.

If your clients **did not** complete the circle on line 6:

- Enter **\$3,692** on Form 540, line 18 if filing single or married/RDP filing separately.
- Enter **\$7,384** on Form 540, line 18, if filing married/RDP filing jointly, head of household, or qualifying widow(er).

Line 6 - If your client completed the circle on line 6, indicating possible dependent status on someone else's return, complete the "California Standard Deduction Worksheet for Dependents" below.

California Standard Deduction Worksheet for Dependents

1. Enter your clients' total wages, salaries, and tips from all of their Forms W-2, box 16. (You may also refer to the federal Form 1040EZ, Line 1; form 1040A, line 7; or Form 1040, line 7). 1. _____
2. 2. \$300.00
3. Add line 1 and line 2. Enter the total here. 3. _____
4. Minimum standard deduction amount 4. \$900.00
5. Compare the amounts on line 3 and line 4. Enter the **larger** of the two amounts here 5. _____
6. Enter the amount shown below for your clients' filing status 6. _____
 - * Single or married filing separately, enter **\$3,692**.
 - * Married/RDP filing jointly, head of household, or qualifying widow(er), enter **\$7,384**.
7. **Standard Deduction.** Compare the amounts on line 5 and line 6. Enter the **smaller** of the two amounts here and on Form 540A, line 15; or Form 540, line 18 7. _____

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Itemized Deductions

Your clients may itemize for the federal, the state, or both.

If your clients claim itemized deductions on their state return, adjust the amount from their federal Schedule A. If your clients file Form 540, complete and attach Schedule CA (540) Part II – Adjustments to Federal Itemized Deductions. Compute state itemized deductions using the "California Itemized Deductions Worksheet" below.

You cannot deduct Mello-Roos taxes assessed to fund local benefits and improvements. Mello-Roos may appear on the property tax bill.

Clients age 65 or older – If your client or their spouse/RDP claims additional standard deduction amounts on their federal return because your client or their spouse/RDP is age 65 or older, then your client may benefit from itemizing on their state return even if they took the federal standard deduction.

To itemize for just the state, complete Form 1040 Schedule A following federal rules, then complete the "California Itemized Deductions Worksheet" or CA 540, Part II - Adjustments to Federal Itemized Deductions.

Do not attach the federal Schedule A to your clients' return.

California Itemized Deductions Worksheet

1. Enter the amount of itemized deductions from federal Schedule A, line 28, Itemized Deductions..... 1. _____
 2. Enter the amount from federal Schedule A, line 5, **AND** only the portion relating to foreign income taxes from line 8. Be sure to include any amount deducted for State Disability Insurance (SDI) 2. _____
 3. Subtract line 2 from line 1. This amount is your clients' total **Itemized Deductions** for California 3. _____
 4. Enter the **Standard Deduction** for your clients' filing status 4. _____
 - * Single or married/RDP filing separately, enter **\$3,692**.
 - * Married/RDP filing jointly, head of household, or qualifying widow(er), enter **\$7,384**.
- If your clients can be claimed as a dependent on someone else's return, complete the "Standard Deduction Worksheet for Dependents." Enter the amount from line 5 of that worksheet on line 4 of this worksheet.
5. Compare the amounts on line 3 and line 4 above. Enter the **larger** of the two amounts here and on Form 540A, line 15; or Form 540, line 18..... 5. _____